

Memorandum

To: Panel Members Date: December 19, 2002

From: Ron Tagami, Manager
Peter DeMauro, General Counsel Analyst: S. Lipkin

Subject: One-Step Agreement for **Custom Building Products**
(Custombuildingproducts.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 1,200
 - In California: 500
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: NA

CONTRACT:

- Program Costs: \$202,800
- Substantial Contribution: \$0
- Total ETP Funding: \$202,800
- In-Kind Contribution: \$287,500
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Alicia Ashley & Associates, Irvine, California

\$24,336 for administration

THIRD PARTY SERVICES:

Alicia Ashley & Associates assisted with the preparation of the training plan, curriculum, Single Employer Certification, and other agreement requirements. The amount reimbursed for services is \$15,000 which the applicant states is based on a flat rate.

NARRATIVE:

This project is eligible for ETP funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(b), a company engaged in manufacturing.

Custom Building Products (CBP) manufactures tile and grout along with installation products including backer board, setting materials, surface preparation products and stone care products. In 1962, the company was formed out of a partnership between Thomas Peck, who had a successful stucco business, and Mike Bilek, who was a tile contractor. They developed a unique "thin set mortar" which is one of the first products offered by CBP. The company was incorporated in 1965 and expanded by promoting small, consumer-sized packaging for the do-it-yourself market which emerged in the 1970's. By 1990, CBP had plants in four states and shipped over 200 products nationwide. Eventually, alliances were forged with companies in Mexico and Canada, and in 1996, the C-Cure brand name was acquired. In 1999, the company purchased Superior Featherweight Tools (now SuperiorBilt). Today the company's products are directed toward the consumer (do-it-yourself) and the construction trades.

The company's headquarters is located in Seal Beach, California with California plant locations in Bell, City of Industry, Bakersfield, and Stockton. CBP has invested approximately \$5.5 million in new equipment and technology in its research lab, to modernize operations in the City of Industry and to complete a new factory in Stockton by February 2003.

Customers are now demanding better customer service and on-time delivery. Most importantly, they want CBP to improve its processes to prevent defects. The company's largest customer, Home Depot, has begun to operate under a Six Sigma program. They have indicated the desire for CBP to also operate under a Six Sigma program if they are to maintain their current relationship. Therefore, the company's goal is to reach the Six Sigma level in the next two years.

Six Sigma is both a discipline and a process that is focused on reducing defects and errors. The focus of Six Sigma is on getting more accurate information about customer's desires and translating that into improving processes to prevent defects. If defects decrease and products and services are focused on customers needs, customer satisfaction is expected to improve.

With the knowledge of Six Sigma, workers will be able to continue to strive for a high performance workplace and the company will remain competitive.

Continuous Improvement training will provide managers and frontline workers with a foundation of the Six Sigma philosophy. Workers will become empowered by realizing that quality belongs to everyone and that customer satisfaction can be made or broken by anyone. Managers will be able to provide workers with the resources and skills to equip them for sustained performance improvement. Frontline workers will be able to make decisions and focus on a five-step improvement process: define, measure,

NARRATIVE: (continued)

analyze, improve, and control. Frontline workers will, therefore, operate more effectively in team groups ultimately reaching the Six Sigma level.

Supplemental Nature of Training

CBP has not provided Six Sigma training to its workers. In the past, the company has provided training in Total Quality Management, Information Technology, Safety, Supervisor and Management Skills, Product Knowledge and World Class Manufacturing (Lean Manufacturing). The proposed training will differ from the previous training because the focus of the proposed training is on Six Sigma only. All modules in the curriculum relate to Six Sigma which focus on reducing defects and errors.

In order to provide this training, CBP requests funding from the Employment Training Panel. Business demands in recent years have placed an enormous drain on the company's training budget and the company is unable to provide the necessary training on its own.

At the end of the ETP-funded training, the company will continue to train in a variety of skills including Safety, Customer Service, Sales, and Management Skills. It will also continue to build upon the Six Sigma Foundation that will be established through ETP-funded training.

In-Kind Contribution

CBP will contribute \$287,500 which includes \$85,200 for wages paid to trainees while in training and \$202,300 for loss of production time while trainees are in the ETP-funded training.

COMMENTS:

Of the 390 participants in this project, 350 trainees meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400 (ee) (3).

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities based on Custom Building Products' stated need to provide employees with skills to enhance its ability to remain competitive, to grow, and to maintain a continuing relationship with its customers. The implementation of this proposed training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainee	Continuous Improvement	390	40	0	0	\$520	*\$11.15-\$70.41
					<u>Range of Hourly Wages</u>		
					*\$11.15-\$70.41		
					<u>Prevalent Hourly Wage</u>		
					\$12.47		
					<u>Average Cost per Trainee</u>		
					\$520		
<u>*Health Benefit used to meet ETP minimum wage:</u> Health benefits of at least \$1.39 per hour may be used to meet the ETP minimum wage of \$11.78 for Los Angeles County and \$11.15 for Kern and San Joaquin Counties.					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
					18%	10%	

CUSTOM BUILDING PRODUCTS
Curriculum

Continuous Improvement

Class/lab hours

40

Trainees will receive any of the following:

Custom Building Quality

- History & Culture of Quality
- Customer Focused Quality
- Six Sigma
- Prevention & Cost of Quality
- Metrics & how they are measured
- Leadership Commitment
- Empowerment

Your Role in CBQ

- Custom Building Quality
- Personal Principles of Quality
- Taking Initiative
- Follow-Up Quality Workshop

Team Process Skills

- Team Assessment
- Effective Team Structure
- Ethics & Team Assessment of Process Problems
- Process Interventions
- Structure Interventions
- Leading a High Performing Team
- Building a High Performance Team